

# Examining the Role of Personal Values in Shaping Financial Well-being: A Behavioral Reasoning Perspective

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## EXTENDED ABSTRACT

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Understanding the underlying mechanisms of individuals' financial well-being (FWB) is more crucial than ever. We live in an era marked by economic downturns, rising financial insecurity, and global sustainability consciousness. The persistent rise in global economic uncertainty and worldwide sustainability consciousness has led individuals to increasingly seek financial decisions. These decisions aim not only to secure their future but also to align with their ethical beliefs and personal values. The study of individual active financial behavior (AFB) has thus become vital. It allows individuals to prioritize their financial needs and set up informed plans to improve their FWB.

FWB has become a major concern following successive global economic and social disruptions. The path to FWB is now more complex due to the many financial instruments, digital innovations, and changing socio-economic conditions. Many economies showed resilience after the Great Recession of 2008, a global crisis from 2007 to 2009. Recent global disruptions, such as the COVID-19 pandemic (2020-2022), escalating tariff disputes, and the Russia-Ukraine war, have deepened financial vulnerabilities. These events also increased inflation and reversed progress toward the Sustainable Development Goals (SDGs). COVID-19 had a devastating effect on the world economy, with estimated losses of \$2.74 trillion between 2020 and 2021. The pandemic caused unprecedented disruption to economic activity. It worsened inflationary pressures, raised borrowing costs, and weakened income stability in both developed and developing countries. In particular, developing countries have faced heightened challenges due to fiscal constraints. These constraints limit their ability to effectively address the economic fallout of such crises.

Besides its economic impact, FWB is closely linked to global development priorities, specifically the United Nations SDGs 2030. Financial instability, poverty, and economic constraints profoundly affect individuals, families, and communities. Among the 17 UN-SDGs-2030, key goals include SDG-1 (no poverty), SDG-3 (good health and well-being), SDG-4 (quality education), SDG-8 (decent work and economic growth), and SDG-10 (reduced inequalities). These underscore the importance of financial resilience, inclusion, and stability in promoting long-term economic growth. These SDGs relate to the concept of FWB.

FWB refers to a state where an individual can meet current financial obligations, feels secure about future financial needs, and has the freedom to make life choices without financial stress. There are two types of FWB one is objective and other is subjective. The objective measures and financial metrics, such as income and net worth, focus on financial outcomes. While,

subjective measures include perceived financial security, satisfaction, and autonomy. These often cover broader aspects of quality of life. In contrast, sociological approaches frame FWB as fulfilment, happiness, and the pursuit of a good life.

Traditional finance theories, grounded in rational choice philosophy, posit that individuals engage in AFB to maximize personal utility and economic gain. However, increasing empirical evidence indicates that financial decision-making is influenced by a broader psychological and social context, where personal values, beliefs, emotions, and contextual factors play significant roles. In this context, financial values such as transparency, social responsibility, and ethical alignment have become important determinants of financial behavior. Consequently, AFB is now understood not only as goal-directed but also as morally grounded, reflecting identity and social purpose.

To address this gap, the present study adopts the value-grounded Behavioral Reasoning Theory (BRT) framework. The study is among the first to offer a values-grounded model of FWB within an integrated framework. BRT posits that personal values influence their “reasons” (for and against) for engaging in a behavior. These reasons then shape attitudes and ultimately drive behavioral outcomes. Building on this logic, the study proposes a sequential model. It links financial values (ethics and sustainability), cognitive justifications (“reasons” for and against), global motives (“attitude” toward financial behavior), and AFB, eventually leading to FWB. Within the BRT framework, financial values are conceptualized as deep-rooted belief systems that guide individuals’ evaluation of financial choices. These values influence cognitive justifications, which represent context-specific reasonings (enablers and barriers) to financial actions. Consistent with BRT, these “reasons” act as a critical bridge between values and behavior by shaping individuals’ global motives or attitudes toward financial behavior. Attitudes, in turn, influence AFB, defined as consistent and deliberate financial actions such as budgeting, saving, investing, and risk management. Ultimately, these behaviors determine the level of FWB.

Empirically, data were collected from 404 individuals using a structured questionnaire through random sampling. Aside from demographic information, respondents were required to respond to 53 indicators on a five-point Likert scale. As a symmetric modelling approach for data analysis, the variance-based disjoint two-stage approach, suitable for higher-order constructs, partial least square-structural equation modelling (PLS-SEM) was employed to test the model’s reliability, validity, predictive strength, and hypothesized relationships.

The results suggest that financial values (ethics and sustainability) significantly influence cognitive justifications “reasons” (for and against) AFB. “Reasons for” are positively

associated with global motives and drive AFB, whereas “reasons against” are negatively associated with global motives and AFB. AFB emerges as a key predictor of FWB, underscoring the importance of translating reasoning and attitudes into consistent financial actions. These results validate the central premise of BRT by demonstrating that “reasons for” and “reasons against” behavior play a pivotal role in linking values to financial outcomes. This study is positioned as one of the early literature to apply the value-rooted framework, challenges the rational financial choice philosophy, and contributes to the theoretical understanding of AFB through dichotomous determinants, i.e., “reasons” for and against. Theoretically, this study provides a foundation for future studies on FWB by offering a values-based lens. Practically, this research informs financial service professionals and policymakers with tangible interventions to promote value-aligned and resilient financial behavior.

**Keywords** - Financial values; Financial well-being; Attitude; Behavioral Reasoning Theory; Individuals’ financial behavior; Financial literacy.